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Viewing cable 09STOCKHOLM778, SWEDISH-IRANIAN ECONOMIC RELATIONS: BUSINESS AS

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- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
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| Reference ID | Created | Released | Classification | Origin |
|--------------------------------|------------------|------------------|----------------|-----------------------------------|
| 09STOCKHOLM778 | 2009-12-15 07:10 | 2011-08-30 01:44 | SECRET | Embassy Stockholm |

Appears in these articles:

<http://www.aftenposten.no/spesial/wikileaksdokumenter/article3994456.ece>

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S E C R E T SECTION 01 OF 04 STOCKHOLM 000778

SIPDIS

E.O. 12958: DECL: 12/14/2019
TAGS: [ECON](#) [ETRD](#) [ETTC](#) [PGOV](#) [PREL](#) [IR](#) [SW](#)
SUBJECT: SWEDISH-IRANIAN ECONOMIC RELATIONS: BUSINESS AS USUAL, RESISTANCE TO FINANCIAL SANCTIONS

REF: A. STOCKHOLM 464
B. 08 STOCKHOLM 717
C. 08 STOCKHOLM 431

Classified By: Deputy Chief of Mission Robert Silverman for reasons 1.4 (b) and (d).

¶11. (S) Summary: Behind the Swedish government's reluctance to support further sanctions in Iran, especially unilateral European measures, is a dynamic (though still fairly small) trade involving some of Sweden's largest and most politically well-connected companies: Volvo, Ericsson and ABB to name three. Embassy Stockholm discusses Iran with Foreign Minister Bildt and his deputies regularly and increasingly.

-- On export controls, Sweden has a policy of complying with UN sanctions banning the sale and delivery of technology and equipment that may contribute to nuclear weapons and long-range missiles. However, in repeated demarches on the activities of Swedish companies, for example Mahaco (brokering activities) and Colenco (light water reactor technology), the Swedes were passive and moved very slowly, referring repeatedly to either EU legislation or lack of Swedish legislation that prevents them from acting on Swedish companies (Reftel c).

-- On Swedish exports to and investment in Iran more generally, the Swedish Trade Council, a government agency, actively promotes trade with Iran.

-- On financial sanctions, Per Saland, Sanctions Coordinator at the Swedish Ministry for Foreign Affairs' Department for Security Policy, told U.S. Treasury Assistant Secretary for Terrorist Financing David Cohen in June 2009 that Sweden does not support attempts to scrutinize every transaction with Iran because "legitimate trade exists between Sweden and Iran," adding that the Swedish mindset on this point "will not change." (Reftel A). End Summary.

Background

¶12. (C) The Iranian immigrant community in Sweden, at roughly 100,000, is one of the largest in Europe. In the context of discussions on restricting of financial transfers by Swedish citizens of Iranian origin, Sanctions Coordinator Saland told us that the Swedish government will not take any actions that might restrict their civil liberties.

¶13. (C) In February 2008, Sweden signed a bilateral investment treaty with Iran. The Swedish government is critical of Iran where human rights are concerned, but advocates maintaining a dialogue with Iran and encourages trade with Iran (see paragraph 9).

Sweden Follows UN Sanctions

¶14. (S) Sweden does not have any national sanctions against Iran, but Swedish companies are expected to comply with UN sanctions implemented by the EU, which primarily ban the sale and delivery of technology and equipment which may contribute to the development of nuclear weapons and long-range missiles. However, in repeated demarches on Mahaco (brokering activities) and Colenco (a Swiss company owned by a Swedish company providing light water reactor technology), the Swedes were passive and reluctant to cooperate. Where the Swedish company Mahaco is concerned, the government and the Inspectorate for Strategic Products (ISP) have been passive and very slow to react or take steps, referring repeatedly to either EU legislation or a lack of Swedish legislation that prevents them from acting on the Swedish company (Reftel C).

¶15. (C) Sanctions Coordinator Saland told us that Sweden does not support implementing tighter financial sanctions on Iran and that more stringent financial standards could hurt Swedish exports (Reftel B). Saland has also said that Sweden cannot do more than it is already doing as Swedish legislation does not allow the government to pressure Swedish banks and companies to stop doing business with Iranian

entities (Reftel A). Saland told U.S. Treasury Assistant Secretary David Cohen in June 2009 that Sweden does not support attempts to scrutinize every transaction with Iran because "legitimate trade exists between Sweden and Iran," adding that the Swedish mindset on this point "will not

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change." (Reftel A). Sweden also remains unconvinced that many of the individuals and organizations designated under U.S. domestic legislation are really involved in problematic transactions and would like to see an expanded dialogue between U.S. and Swedish experts on this topic, according to Saland.

Trade with Iran

¶ 6. (U) The Swedish Trade Council considers Iran to be one of Sweden's most important non-European export markets. Up until the 1979 Iranian revolution, Sweden was, in value terms, the 15th largest exporter to Iran. A number of Swedish companies operate their own subsidiaries in Iran, such as telecom giant Ericsson, the engineering companies ABB and Alfa-Laval, the mining companies Atlas-Copco and Svedala and the processing and packaging company Tetra-Pak. The largest Swedish exporter to Iran is Volvo AB, which manufactures trucks, buses and marine engines. Volvo AB is represented by Rena Technical Company, Bahar Rastar and Saipa Diesel Co, all located in Tehran. Volvo Trucks has delivered more than 60,000 Volvo trucks to Iran since 1934, making Volvo the leading heavy truck company in Iran. Iran is Sweden's second largest export market in the Middle East after Saudi Arabia. According to a recent report in the German press repeated in the International Herald Tribune on December 1, Volvo has stepped in to fill the gap resulting from a Daimler decision to stop delivery of vehicles with three axles to Iran and is now exporting similar vehicles to Iran.

¶ 7. (U) Embassy Stockholm previously reported a significant difference in the information about doing business with Iran available on Swedish-language websites, compared with what was available on the English-language websites of the same organizations (Reftel A). The Swedish government continues to promote trade with Iran despite the fact that our interlocutors have told the USG otherwise. The Swedish Export Credit Guarantee Board 2007 Annual Reports stated there has been a "greater demand for risk cover for deliveries to the Middle East, above all to Iran in 2007." In 2007, Iran ranked first on the list of top ten countries for which export guarantees were issued for large companies, and fourth on the list for small and medium-sized companies.

¶ 8. (U) Swedish exports to Iran are slowly moving in the direction of 2005 levels, which were \$1.1 billion, accounting for nearly 1% of total Swedish exports (Reftel B). Sweden doubled its exports to Iran from 2007 to 2008, rising from \$313.6 million to \$627.3 million. The Swedish Trade Council claims that exports to Iran accounted for 0.20% in 2007 and 0.39% in 2008 of total Swedish exports. The International Monetary Fund, whose statistics might be more accurate or measure exports in a different manner, puts the figures at 0.53% for 2007 and 0.60% for 2008. According to Swedish Trade Council and Statistics Sweden, the share of total Swedish exports to Iran increased from \$202.6 million (0.2%) for the period January-June 2008 to \$245.5 million (0.4%) for the first six months in 2009. While these figures are small, they indicate that trade is rising, which is not the message that Post has received in meetings with Swedish interlocutors. On July 30, the Swedish embassy in Iran and the Swedish Trade Council canceled until further notice a planned visit to Iran due to what Swedish Ambassador to Iran Magnus Wernstedt called "turbulence in Iran and the uncertainty of the situation following the Iranian elections." The 15-20 Swedish companies that had planned to participate in the trade delegation included major exporters,

such as Ericsson, ABB, Atlas Copco, Alfa Laval, Tetra Pak and SKF. (Note: Ericsson, Atlas Copco and SKF, a company that manufactures rolling bearings, seals, mechatronics and lubrication solutions, are controlled by the Wallenberg family, which owns the majority of voting shares in these companies. End Note).

¶19. (U) In March 2009, the Swedish Trade Council in the Middle East developed a Swedish language "Iran Fact Pack" Powerpoint presentation to encourage trade between Sweden and Iran. This presentation provides a geographic, demographic and economic overview of Iran, utilizing statistics from 2006 through 2008. According to the presentation, Iran ranked 31 among Swedish export markets and 26 among Swedish import markets in 2006, the most recent figures provided. A graph shows that Swedish exports to Iran declined by 12.6 percent from 2004 to 2007, but does not show any figures for 2008 or

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¶12009. Another slide states that Swedish exports of construction and mining equipment to Iran increased in 2007, and that 112 Swedish companies do business in Iran, some via local partners or distributors. Companies listed include: ABB, Alfa Laval, Atlas-Copco, Ericsson, GAC, Getinge, Scania, SKF, Tetra Pak and Volvo Trucks. One slide also lists the following business opportunities that Iran offers Swedish companies:

- Economic "free zones" where companies can establish an initial presence.
- Low costs that make Iran an attractive market for production.
- A large pool of well-educated labor.
- Up to 100 percent foreign ownership of Iranian companies with the Iranian government's permission.
- A bilateral investment protection agreement between Sweden and Iran.

The presentation concludes by mentioning that "The Swedish Trade Council in the Middle East makes it easier for Swedish companies to establish operations or develop business in Iran," and states that the Swedish Trade Council maintains offices in Dubai, Riyadh and Cairo staffed by 15 consultants.

Swedish exports to Iran decrease, but increase to the UAE

¶10. (U) In examining Swedish-Iranian trade statistics for the first half of 2009, we noticed a trend of decreased exports to Iran and increased exports to the United Arab Emirates (UAE) in certain product categories. The following product categories display this relationship (Source: Statistics Sweden).

- Other Inorganic Basic Chemicals:
Exports to Iran decreased from \$501,444 to \$25,419 (94.9%) from 2007 to 2008.
Exports to UAE increased from \$3.9 million to \$7.2 million (84.4%) from 2007 to 2008.
- Explosives:
Exports to Iran decreased from \$255,116 to \$0 (100%) from 2007 to 2008.
Exports to UAE increased from \$80,736 to \$222,530 (175.7%) from 2007 to 2008.
- Aluminum Mills:
Exports to Iran decreased from \$32,993 to \$7,582 (77%) from 2007 to 2008.
Exports to UAE increased from \$578,707 to \$2.2 million (286%) from 2007 to 2008.
- Other Metal Mills:
Exports to Iran decreased from \$2 million to \$418,375 (79.5%) from 2007 to 2008.
Exports to UAE increased from \$3,513 to \$143,183 (3,796%)

from 2007 to 2008.

- Engines and Turbines (not including aircraft and Cycle engines):

Exports to Iran decreased from \$39.9 million to \$25.6 million (35.9%) from 2007 to 2008.

Exports to UAE increased from \$36.8 million to \$51.1 million (38.8%) from 2007 to 2008.

- Motor Vehicle Bodies, Trailers and Semi-Trailers:

Exports to Iran decreased from \$582,034 to \$76,827 (86.8%) from 2007 to 2008.

Exports to UAE increased from \$76,125 to \$212,223 (178.8%) from 2007 to 2008.

While we cannot say whether Sweden is transshipping goods to Iran via the UAE based on the above-mentioned statistics, these figures could indicate a nascent trend in this direction. Embassy Stockholm discusses Iran with Foreign Minister Bildt and his deputies regularly and increasingly.

¶11. (C) Comment: It is difficult to get a fully accurate picture of Sweden's economic relations with Iran. For example, statistics on Sweden's foreign direct investments (FDI) for 2007 (2008 figures are not available) do not list Iran separately, which could indicate that FDI in Iran was an insignificant amount, or could reflect a conscious decision to place Iran under the category: "Other Countries."

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